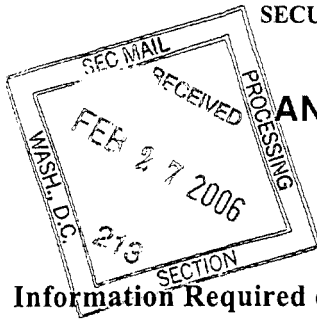


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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2005 AND ENDING 12/31/2005
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: HAND SECURITIES, INC.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

5700 NORTHWEST CENTRAL DR., 4TH FLOOR

(No. and Street)

HOUSTON

TX

77092

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

STEPHEN. S. HAND

713-460-1600

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BKD, LLP

(Name -- if individual, state last, first, middle name)

1360 POST OAK BLVD, STE 1900

HOUSTON

TX

77056

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAY 09 2006

THOMSON
FINANCIAL

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

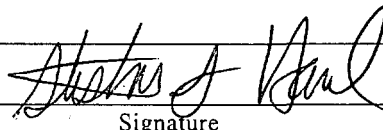
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Handwritten initials and signature

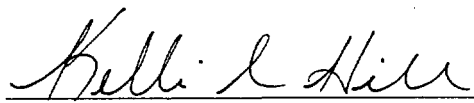
OATH OR AFFIRMATION

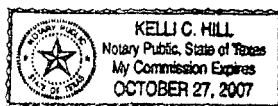
I, STEPHEN S. HAND, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of HAND SECURITIES, INC., as of DECEMBER 31, 20 05, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:


Signature

FINANCIAL OPERATIONS PRINCIPAL

Title


Notary Public



This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

Hand Securities, Inc.

Accountants' Report and Financial Statements

December 31, 2005

Hand Securities, Inc.

December 31, 2005

Contents

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Financial Statements

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Statement of Cash Flows	5
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Supplemental Schedule

Computation of Net Capital, Aggregate Indebtedness and Ratio of Aggregate Indebtedness to Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission	9
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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Directors
Hand Securities, Inc.
Houston, Texas

We have audited the accompanying statement of financial condition of Hand Securities, Inc. (a wholly owned subsidiary of Hand Benefits & Trust, Inc.), as of December 31, 2005, and the related statements of income, changes in stockholder's equity and cash flows for the year then ended that the Company is filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hand Securities, Inc., as of December 31, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

Houston, Texas
February 15, 2006

Hand Securities, Inc.
Statement of Financial Condition
December 31, 2005

Assets

Cash and cash equivalents	\$ 177,183
Commissions and fees receivable	173,636
Receivable from affiliates	78,403
Deposit with clearing organization	51,391
Other assets	<u>13,876</u>
Total assets	<u>\$ 494,489</u>

Liabilities and Stockholder's Equity

Liabilities

Accounts payable	\$ 887
Accrued commissions payable	6,507
Payable to parent	398
Current income taxes payable to parent	<u>72,285</u>
Total liabilities	<u>80,077</u>

Stockholder's Equity

Common stock, \$1.00 par value; authorized 50,000 shares; issued and outstanding 1,000 shares	1,000
Additional paid-in capital	141,000
Retained earnings	<u>272,412</u>
Total stockholder's equity	<u>414,412</u>
Total liabilities and stockholder's equity	<u>\$ 494,489</u>

Hand Securities, Inc.
Statement of Income
Year Ended December 31, 2005

Revenues

Commission and fees	\$ 1,122,054
Interest	<u>1,158</u>
Total revenues	<u>1,123,212</u>

Expenses

Administrative fees	628,144
Management fees	90,000
Operating	<u>192,465</u>
Total expenses	<u>910,609</u>

Net Income Before Taxes	212,603
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Income Taxes	<u>72,285</u>
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Net Income	<u>\$ 140,318</u>
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Hand Securities, Inc.
Statement of Changes in Stockholder's Equity
Year Ended December 31, 2005

	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Earnings</u>	<u>Stockholder's</u>
			<u>Capital</u>		<u>Equity</u>
Balance, January 1, 2005	1,000	\$ 1,000	\$ 141,000	\$ 132,094	\$ 274,094
Net income	<u>—</u>	<u>—</u>	<u>—</u>	<u>140,318</u>	<u>140,318</u>
Balance, December 31, 2005	<u>1,000</u>	<u>\$ 1,000</u>	<u>\$ 141,000</u>	<u>\$ 272,412</u>	<u>\$ 414,412</u>

Hand Securities, Inc.
Statement of Cash Flows
Year Ended December 31, 2005

Operating Activities

Net income	\$ 140,318
Changes in:	
Deposit with clearing organization	(1,158)
Commissions receivable	(64,075)
Receivable from affiliates	(44,516)
Receivable/payable from parent	19,833
Other assets	(521)
Accounts payable	(6,700)
Accrued commissions payable	667
Current income taxes payable to parent	<u>46,462</u>

Net cash provided by operating activities	<u>90,310</u>
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Increase in Cash and Cash Equivalents	90,310
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Cash and Cash Equivalents, Beginning of Year	<u>86,873</u>
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Cash and Cash Equivalents, End of Year	<u>\$ 177,183</u>
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Hand Securities, Inc.
Notes to Financial Statements
December 31, 2005

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Hand Securities, Inc. (the Company), formerly American Industries Retirement Securities Corporation, was incorporated in Texas on February 2, 1998, and began operations in 1999. The Company acts as an agent in connection with the purchase and sale of equity and debt securities and with the purchase and sale of shares in mutual funds with customer accounts cleared on a fully disclosed basis. The Company is a wholly owned subsidiary of Hand Benefits & Trust, Inc. (the Parent).

The Company operates pursuant to the (k)(2)(ii) exemptive provision of the Securities and Exchange Commission's (SEC) Rule 15c3-3 and does not hold customer funds or securities but, as an introducing broker or dealer, will clear all transactions with and for customers on a fully disclosed basis through a clearing broker. The Company is a member of the National Association of Securities Dealers, Inc., and is registered as a securities dealer with the SEC and various states.

Securities Transactions

Securities transactions and related sales commission revenues are recorded on a trade-date basis. Mutual fund revenues consist of sales commissions, 12b-1 fees and sub-transfer agent fees. The 12b-1 fees and sub-transfer agent fees are accrued as earned.

Income Taxes

The Company is included in the consolidated federal income tax return filed by its Parent. Federal income taxes are calculated as if the Company filed on a separate return basis, using the effective tax rate of the Parent, and the amount of current tax expense or benefit calculated is either remitted to or received from the Parent. The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the financial statements for the changes in deferred tax liabilities or assets between years. During the year ended December 31, 2005, the difference between the statutory federal tax rate and the Company's effective tax rate is primarily due to effective graduated tax rates.

Cash and Cash Equivalents

The Company considers all liquid financial instruments with original maturities of less than 90 days and not pledged or otherwise restricted as cash and cash equivalents.

Hand Securities, Inc.
Notes to Financial Statements
December 31, 2005

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: Net Capital Requirements

The Company is subject to the net capital rules adopted and administered by the SEC. The rules prohibit a member from engaging in securities transactions if the ratio of its aggregate indebtedness, as defined, to net capital, as defined, exceeds 15 to 1. At December 31, 2005, the Company's ratio of aggregate indebtedness to regulatory net capital was 0.558 to 1, and its regulatory net capital of \$143,476 was greater than the minimum net capital required of \$50,000.

Deposits with the clearing organization are considered allowable assets in the computation of net capital pursuant to an agreement between the Company and the clearing organization that requires, among other things, for the clearing organization to perform a computation of deposits similar to the customer reserve computation set forth in Rule 15c3-3.

Note 3: Clearing Organization

The Company has an agreement with a clearing organization whereby the clearing organization performs clearing functions for all security transactions with brokers and dealers. The clearing organization required that a security deposit balance of approximately \$50,000 as of December 31, 2005, be maintained by the Company. The deposit with the clearing organization bears interest at a rate determined by the clearing organization and is due on demand.

Note 4: Commitments and Contingencies

Market Risks and Credit Risks

In the normal course of business, the Company's activities involve the execution, settlement and financing of securities transactions through a clearing broker. These activities may expose the Company to off-balance sheet credit and market risks in the event the customer or counterparty is unable to fulfill its contractual obligations. Such risks may be increased by volatile markets.

Hand Securities, Inc.
Notes to Financial Statements
December 31, 2005

The clearing broker, through which accounts are introduced, and the Company seek to control the risks associated with customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines and by monitoring for prompt customer payments in accordance with various regulatory guidelines. The Company is contingently liable for any customer account deficits with the clearing broker which are not otherwise satisfied. The clearing broker and the Company monitor required margin levels daily and, pursuant to such guidelines, require customers to deposit additional collateral or to reduce positions where necessary. The Company has not experienced any losses to date related to these risks, and no future losses are anticipated.

Note 5: Related-party Transactions

Hand Benefits and Trust Company (Hand Benefits) and Hand and Associates, Inc., wholly owned subsidiaries of the Parent, perform administrative and management functions, respectively, relative to the Company, for which the Company pays a monthly fee. During 2005, administrative fees paid to Hand Benefits were \$628,144 and management fees paid to Hand and Associates, Inc., were \$90,000.

Substantially all of the Company's revenue comes from commissions and fees earned on mutual fund investments of 401(k) plan accounts or trust accounts held in trust by Hand Benefits. At December 31, 2005, 40 percent of the Company's revenue was generated by one customer of Hand Benefits.

Note 6: Rule 15c3-3

The Company is exempt from rule 15c3-3 under subsection (k)(2)(ii). Under this exemption, the *Computation for Determination of Reserve Requirements* and *Information Relating to the Possession of Control Requirements* are not required.

Hand Securities, Inc.

Computation of Net Capital, Aggregate Indebtedness and Ratio of Aggregate Indebtedness to Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission December 31, 2005

Net capital	
Total stockholder's equity	\$ 414,412
Less:	
Nonallowable assets	(265,915)
Other deductions, fidelity bond excess deductible	(4,000)
Haircuts on securities	<u>(1,021)</u>
Net capital	<u>\$ 143,476</u>
Aggregate indebtedness	\$ 80,077
Net capital requirement (the greater \$50,000 or 6-2/3% of aggregate indebtedness)	50,000
Net capital requirement in excess of net capital	93,476
Ratio of aggregate indebtedness to net capital	0.558 to 1
Nonallowable assets:	
Accounts receivable allowable aged over 30 days	\$ 173,636
Receivable from Affiliates	78,403
Other assets	<u>13,876</u>
	<u>\$ 265,915</u>

Note: This computation differs from the amended computation of net capital and aggregate indebtedness under Rule 15c3-1 as of December 31, 2005, filed on January 26, 2006, by the Company with the National Association of Securities Dealers, Inc., on Part II on Form X-17A-5 as follows:

	<u>Net Capital</u>	<u>Aggregate Indebtedness</u>	<u>Ratio of Aggregate Indebtedness to Net Capital</u>
As reported on Part II on Form X-17A-5	\$ 223,552	\$ —	0.000 to 1
Adjustments	<u>80,076</u>	<u>80,077</u>	<u>0.558 to 1</u>
As presented above	<u>\$ 143,476</u>	<u>\$ 80,077</u>	<u>0.558 to 1</u>